

# **Central Area Michigan Works! Consortium**

Greenville, Michigan

Financial Statements and Additional Information  
Year Ended June 30, 2006

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Central Area Michigan Works! Consortium</b>	County <b>Montcalm</b>
Audit Date <b>6/30/06</b>	Opinion Date <b>9/8/06</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

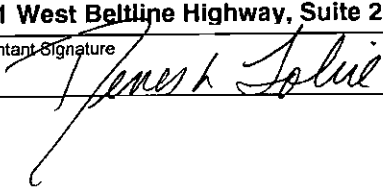
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <b>Wipfli LLP</b>			
Street Address <b>2901 West Beltline Highway, Suite 201</b>		City <b>Madison</b>	State <b>WI</b>
Accountant Signature 		ZIP <b>53713</b>	Date <b>11-30-06</b>

# Central Area Michigan Works! Consortium

Financial Statements and Additional Information  
Year Ended June 30, 2006

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## Independent Auditor's Report

Board of Directors  
Central Area Michigan Works! Consortium  
Greenville, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Central Area Michigan Works! Consortium as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Central Area Michigan Works! Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Central Area Michigan Works! Consortium as of June 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of Central Area Michigan Works! Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison information on page 23 are not a required part of the basic financial statements but are additional information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required additional information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Central Area Michigan Works! Consortium's basic financial statements. The accompanying schedule of expenditures of federal awards and other financial assistance, Schedule A-1 to A-3, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

September 8, 2006  
Madison, Wisconsin

# Central Area Michigan Works! Consortium

## Management's Discussion and Analysis

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### Financial Highlights

- The Central Area Michigan Works! Consortium's (CAMWC) net assets decreased \$10,011 as a result of this year's operations. Net assets at the beginning of the year were \$121,729 and ending net assets were \$111,718.
- Grant revenue increased \$2,553,260 (52.3%) from the previous year. Grant revenue generated from the WIA Dislocated Worker program increased from \$731,263 last year to \$1,101,178 this year, a 50.6% increase. The WIA Youth program grant revenue increased from \$706,540 last year to \$915,102 this year, a 29.5% increase. The Trade Act program generated grant revenue of \$171,882 last year as compared to \$1,570,323 this year, for an 813.6% increase. These three grants make up the majority of the increase in grant revenue over the prior year.

A synopsis of key financial activities for the June 30, 2006, fiscal year is as follows:

- **Work First:** The Work First program is funded with multiple funding sources, each with unique rules and allowances. It was a challenge managing the various funding streams during the year because there were numerous funding shifts. The Work First Reed Act funding decreased \$563,600 from \$663,650 last year to \$100,050 this year. The Work First Temporary Assistance for Needy Families (TANF) funding increased from \$793,961 last year to \$1,627,482 this year, an increase of \$833,521. The Work First TANF Supportive Services funding went from \$93,842 last year to \$109,500 this year for an increase of \$15,658. The Work First General Fund/General Purpose (GF/GP) funding increased \$242,547 from \$188,386 last year to \$430,933 this year. Overall, the Work First funding increased from \$1,739,839 last year to \$2,267,965 this year for an increase of \$528,126.
- **Trade Adjustment Act (TAA):** The amount of Trade funding has been larger to meet a growing demand. However, the State of Michigan's practice of allocating Trade funding on a monthly basis once need can be demonstrated, causes administrative concerns and service disruption. Contractors are always trying to determine if more Trade funds will be coming or if other funding has to be used to support a customer's service plan.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CAMWC's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

### Government-Wide Financial Statements

- The government-wide financial statements are the statement of net assets and the statement of activities. These statements present an aggregate view of the CAMWC's finances in a manner similar to private and nonprofit sectors.
- The statement of net assets presents information on all of CAMWC's assets and liabilities, with the difference between the two being reported as net assets.

# Central Area Michigan Works! Consortium

## Management's Discussion and Analysis

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### Government-Wide Financial Statements (Continued)

- The statement of activities presents information showing how CAMWC's net assets changed during the year.
- The government-wide financial statements are shown on pages 9 and 10 of this report.

### Fund Financial Statements

- CAMWC also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. CAMWC, like other federal, state, and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than CAMWC's government-wide statements.
- There are two fund financial statements: governmental fund balance sheet and governmental fund revenue, expenditures, and changes in fund balance.
- CAMWC has only one fund, the governmental general fund. The general fund accounts for all federal, state, and local grant-funded programs.

The major features of CAMWC's financial statements, including the portion of the activities reported and the type of information contained, is shown in Table 1 on the following page.

	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire Government	The programmatic and operating activities of the CAMWC, such as employment and training.
Required Financial Statements	Statement of net assets and statement of activities	Governmental fund balance sheet and governmental fund revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in CAMWC's government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 19 of this report.

# Central Area Michigan Works! Consortium

## Management's Discussion and Analysis

### Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of CAMWC, assets exceeded liabilities by \$111,718 and \$121,729 at June 30, 2006 and 2005, respectively. Table 1 below provides a summary of CAMWC's net assets for the years ended June 30, 2006 and 2005.

**Table 1**  
**Condensed Statement of Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Current and other assets	\$ 782,327	\$ 629,327
Capital assets	16,448	27,414
Total assets	798,775	656,741
Current liabilities	687,057	535,012
Long-term liabilities	0	0
Total liabilities	687,057	535,012
Net assets:		
Invested in capital assets	16,448	27,414
Unrestricted	95,270	94,315
Total net assets	\$ 111,718	\$ 121,729

Current assets increased \$153,000 due primarily to grants receivable increasing \$160,034. Capital assets decreased \$10,966 due solely to depreciation expense. Total liabilities increased \$152,045 as a result of a \$133,194 increase in accounts payable and an \$18,851 increase in due to related party.

# Central Area Michigan Works! Consortium

## Management's Discussion and Analysis

### Change in Net Assets

Table 2 summarizes the change in net assets for fiscal years 2006 and 2005.

**Table 2**  
**Change in Net Assets**

	2006	Percentage of Funding	2005	Percentage of Funding
Revenue:				
Federal grant revenue	\$ 7,002,965	94.19%	\$ 4,692,192	96.12%
State grant revenue	430,933	5.80%	188,447	3.86%
Other revenue	1,055	0.01%	1,016	0.02%
Total revenue	7,434,953	100.00%	4,881,655	100.00%
Expenses:				
Other services and charges	7,320,851	98.33%	4,833,002	99.51%
Supplies	124,113	1.67%	23,822	0.49%
Total expenditures	7,444,964	100.00%	4,856,824	100.00%
Changes in net assets	( 10,011)		24,831	
Net assets - beginning of year	121,729		96,898	
Net assets - end of year	\$ 111,718		\$ 121,729	

As shown, federal and state grant revenue provides virtually all of the funds for governmental activities, which are expended on administration, job training, and employment activities. Total revenue for 2005 was \$4,881,655 or 52.3% less than 2006. Total agency expenditures increased by 53.3% from 2005 to 2006, as a result of the increase in grant revenue.

### Governmental Funds

CAMWC completed the 2006 fiscal year with a total governmental fund balance of \$95,270, as compared to the 2005 year-end fund balance of \$94,315.

### Capital Assets

At the end of the 2006 fiscal year, CAMWC had invested a cumulative of \$162,025 in capital assets, consisting entirely of equipment (see Table 3). This amount represents a decrease of \$88,715 due to the disposal of obsolete computer equipment. Additional information about capital assets can be found in Note 4, page 18. CAMWC recognized depreciation expense of \$10,966 for governmental activities. Total accumulated depreciation on these assets was \$145,577.

# Central Area Michigan Works! Consortium

## Management's Discussion and Analysis

### Capital Assets (Continued)

**Table 3**  
**Capital Assets**

	2006	2005	% Change
Equipment	\$ 162,025	\$ 250,740	-35.38%
Accumulated depreciation	( 145,577)	( 223,326)	-34.81%
Totals	\$ 16,448	\$ 27,414	

### Factors Bearing on Central Area Michigan Works! Consortium's Future

Both federal funding appropriation and legislation reauthorization (or lack thereof) of employment and training programs is a factor that bears on the local system and administrative system. The Workforce Investment Board continues to emphasize dual enrollments and parallel policies to maximize resources.

The number of participants in the WIA Dislocated Worker and Trade programs has skyrocketed. The largest employer in Montcalm County, Electrolux, closed as of March 2006, idling more than 2,700 workers. This closure along with smaller closures has left Montcalm County with the distinction of being No. 1 – unemployment rate!

WIA Dislocated Worker		Trade Act	
PY 05	PY 06	FY 05	FY 06
274	844	566	3,312

The closure of Electrolux has two direct impacts on the employment and training program:

1. Put a large number of individuals out of work; and
2. Employment opportunities disappear for other individuals.

The CAMWC staff and contractors have worked very hard to reach out to the dislocated population. As of September 30, 2006, 32% of the eligible Electrolux population was engaged in training services.

In addition to the closure of Electrolux, the area has been impacted by the downturn in the automotive industry. Several automotive suppliers are based in the four-county region. A comparison of the unemployment rate across the region shows the rate is higher. This presents many new challenges.

	Unemployment Rate				
	Michigan	Gratiot	Ionia	Isabella	Montcalm
2000	3.7	4.5	3.7	3.3	4.1
2001	5.2	5.4	5.0	3.8	6.1
2002	6.2	6.0	6.3	4.3	7.4
2003	7.1	7.1	7.1	5.0	7.9
2004	7.1	8.0	8.1	4.9	8.1
2005	6.7	8.0	7.1	4.6	8.4
2006 (Jan. - Aug.)	6.9	8.5	8.4	4.8	12.9

# Central Area Michigan Works! Consortium

## Management's Discussion and Analysis

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### Factors Bearing on Central Area Michigan Works! Consortium's Future (Continued)

In addition to company closures, CAMWC has been involved in the preparation of a workforce for a new advanced manufacturer. In March 2006, United Solar Ovonics of Auburn Hills announced plans to build a new, high-tech Ovonics solar cell manufacturing facility in Greenville. The project will create 200 jobs directly by the company with the potential of five more plants and up to 1,000 additional jobs. This is a boost to the region but more economic development is desperately needed.

The U.S. Department of Labor funded two WIRED grants in the state. The amount of funding is \$15 million for three years. The West MI Strategic Alliance (WMSA) is the recipient of one grant that includes Ionia County. WMSA will develop and manage an "innovations lab" designed to spawn a wide range of innovations in a seven-county regional workforce development, economic development, and educational systems. CAMWC is poised to replicate the successful innovative system transformations across the entire region.

Other factors on the region:

- The development and procurement of an adult basic skills program for Trade funded participants.
- Increased supportive service funding from Department of Human Services to support Work First participants.
- Implementation of Performance Measures – known as Common Measures.
- Developing the 21<sup>st</sup> Century Workforce Initiative.

### Contacting the Central Area Michigan Works! Consortium's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of CAMWC's finances and to demonstrate CAMWC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President of Finance, Central Area Michigan Works! Consortium, 904 Oak Drive – Turk Lake, P.O. Box 368, Greenville, Michigan 48838.

# Central Area Michigan Works! Consortium

## Statement of Net Assets

June 30, 2006

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### Assets:

Cash	\$ 115,441
Grants receivable	666,886
Capital assets, net of accumulated depreciation	16,448

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<b>TOTAL ASSETS</b>	<b>\$ 798,775</b>
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### Liabilities:

Accounts payable	\$ 589,094
Due to related party	97,963

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<b>Total liabilities</b>	<b>687,057</b>
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### Net assets:

Invested in capital assets	16,448
Unrestricted	95,270

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<b>Total net assets</b>	<b>111,718</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 798,775</b>
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# Central Area Michigan Works! Consortium

## Statement of Activities

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenue	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
				Primary Government Government Activities
Governmental activities:				
Job training	\$ 7,433,898	\$ 7,433,898		\$ 0
Total program activities	7,433,898	7,433,898		0
Support services:				
Corporate activities	100	0		( 100)
Depreciation	10,966	0		( 10,966)
Total support services	11,066	0		( 11,066)
Total governmental activities	\$ 7,444,964	\$ 7,433,898		(\$ 11,066)
General revenue - interest earnings				\$ 1,055
Change in net assets				( 10,011)
Net assets - June 30, 2005				121,729
Net assets - June 30, 2006				\$ 111,718

See accompanying notes to financial statements.

# Central Area Michigan Works! Consortium

## Balance Sheet - Governmental Fund

June 30, 2006

### Assets:

Cash	\$	115,441
Grants receivable		666,886

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>782,327</b>
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### Liabilities:

Accounts payable	\$	589,094
Due to related party		97,963

Total liabilities		687,057
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Fund balances - unrestricted		95,270
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>782,327</b>
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# Central Area Michigan Works! Consortium

## Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2006

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Total fund balance - governmental funds		\$ 95,270
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Total net assets reported to governmental activities in the statement of net assets are different from the amount reported above as to governmental funds balance because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets are:

Governmental capital assets	162,025	
Governmental accumulated depreciation	<u>( 145,577)</u>	
		<u>16,448</u>

Total net assets - governmental activities		<u>\$ 111,718</u>
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# Central Area Michigan Works! Consortium

## Combined Statement of Revenue, Expenditures, and Changes in Fund Balance - All Governmental Fund Types Year Ended June 30, 2006

Revenue:	
Federal grants	\$ 7,002,965
State grants	430,933
Other revenue	1,055
Total revenue	7,434,953
Expenditures:	
Supplies	124,113
Other services and charges	7,309,885
Total expenditures	7,433,998
Excess of revenue over expenditures	955
Fund balance - June 30, 2005	94,315
Fund balance - June 30, 2006	\$ 95,270

See accompanying notes to financial statements.

# Central Area Michigan Works! Consortium

## Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2006

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Net change in fund balances - total governmental funds	<u>\$ 955</u>
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Amounts reported for governmental activities in the  
statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense reported in the statement of activities	<u>( 10,966)</u>
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Amount by which capital outlays are less than depreciation in the current period	<u>( 10,966)</u>
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Change in net assets - governmental activities	<u><u>(\$ 10,011)</u></u>
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# Central Area Michigan Works! Consortium

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **Reporting Entity**

Central Area Michigan Works! Consortium is a consortium of governments organized in 1983 to administer job training programs and other funding for Central Area Michigan Works! service delivery area. CAMWC includes the Michigan counties of Gratiot, Ionia, Isabella, and Montcalm and receives 100% of its revenue from grants provided by the Michigan Department of Labor and Economic Development.

The financial statements of CAMWC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The significant accounting principles and policies utilized by CAMWC are described below.

#### **Basis of Presentation**

##### **Government-Wide Statements**

The statement of net assets and the statement of activities present financial information about CAMWC's governmental activities. These statements include the financial activities of the overall government in its entirety. Governmental activities generally are financed through intergovernmental revenue and other nonexchange transactions.

The statement of activities presents a comparison between direct expenditures and revenue for each function of CAMWC's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Revenue primarily consists of grants that are restricted to meeting operational or capital requirements of a particular program. Revenue that is not classified as grant revenue, including interest income, is presented as other revenue.

##### **Fund Financial Statements**

The fund statements provide information about CAMWC's fund. A statement for each fund category is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. CAMWC reports only one major governmental fund:

##### **General Fund**

This is CAMWC's primary operating fund. It accounts for all financial activity, including activities associated with providing job training, and other social service programs. Sources include financial aid received from the state and federal government.

# Central Area Michigan Works! Consortium

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which CAMWC gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. CAMWC considers all revenue reported in the governmental funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Unearned revenue is reported on the balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by CAMWC before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

#### **Capital Assets**

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Equipment	\$5,000	Straight line	3

#### **Federal and State Grant Revenue**

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as unearned revenue.

# Central Area Michigan Works! Consortium

## Notes to Financial Statements

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### **Note 1            Summary of Significant Accounting Policies (Continued)**

#### **Cost Allocation**

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all CAMWC programs that cannot be readily identified with a final cost objective.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Income Taxes**

CAMWC is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and Michigan income taxes.

#### **Budgetary Accounting**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States for the general fund. The budget document presents information by fund, activity, and line items. CAMWC's Board approves the original budget at the beginning of the fiscal year. Amendments, if any, are approved periodically during the year.

### **Note 2            Grants Receivable**

Grants receivable at June 30, 2006, consist of:

<b>Grant</b>	<b>Amount</b>
WIA Local Administration	\$ 19,200
WIA Adult	32,864
WIA Youth	118,009
WIA Dislocated Worker	46,167
WIA Performance Incentive	47,094
Trade Act	203,056
WIA Incumbent Worker	38,804
Work First – TANF	109,357
GF/GP State	8,206
Work First – TANF Supportive Services	19,104
Employment Services	21,686
Food Stamp Employment and Training	3,310
Food Stamp Supportive Services	29
<b>Total</b>	<b>\$ 666,886</b>

# Central Area Michigan Works! Consortium

## Notes to Financial Statements

### Note 3 Transactions With Related Parties

CAMWC has contracted with EightCAP, Inc. to serve as the administrative entity for which EightCAP, Inc. receives reimbursements for administrative expenses. CAMWC and EightCAP, Inc. are operated by the same upper level management team. Expenses for administration, information technology services, and one stop center costs related to EightCAP, Inc. for the year ended June 30, 2006, were \$1,098,646. As of June 30, 2006, there was an amount due to EightCAP, Inc. of \$97,963.

### Note 4 Equipment

Capital asset balances and activity for the year ended June 30, 2006, were as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 250,740	\$ 0	(\$ 88,715)	\$ 162,025
Total capital assets being depreciated	250,740	0	( 88,715)	162,025
Less accumulated depreciation for:				
Equipment	( 223,326)	( 10,966)	88,715	( 145,577)
Total accumulated depreciation	( 223,326)	( 10,966)	88,715	( 145,577)
Governmental activities capital assets, net of accumulated depreciation	\$ 27,414	(\$ 10,966)	\$ 0	\$ 16,448

### Note 5 Cash

CAMWC maintains a cash balance at a local bank in an interest-bearing checking account. CAMWC does not have a formal policy that limits its exposure to fair value losses arising from increasing interest rates. As of June 30, 2006, the bank balance was \$241,965 and the carrying amount was \$115,441. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Balances in excess of \$100,000 are not collaterally secured by the bank. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, CAMWC will not be able to recover deposits that are in the possession of an outside party. As of June 30, 2006, CAMWC has a custodial credit risk on its deposits of \$141,965. At various times during the year CAMWC's deposits may have been higher or lower than the balance as of June 30, 2006. This means that CAMWC's custodial credit risk could have been higher or lower at those times.

# Central Area Michigan Works! Consortium

## Notes to Financial Statements

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### **Note 6      Operating Leases**

CAMWC leases space from an unrelated third party for operation of their programs. Rent expense for the year ended June 30, 2006, was \$169,402. Future minimum lease payments on noncancelable leases having terms beyond June 30, 2006, are as follows:

2007	\$ 197,494
2008	176,228
2009	164,011
2010	78,000
2011	26,000
<u>Total</u>	<u>\$ 615,733</u>

## Additional Information

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# Central Area Michigan Works! Consortium

## Schedule A-1

### Schedule of Expenditures of Federal Awards and Other Financial Assistance

Year Ended June 30, 2006

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b>						
<b>Department of Agriculture</b>						
10.561	N/A	Food Stamp Employment and Training	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	\$ 90,049	\$ 3,866
10.561	N/A	Food Stamp Employment and Training Supportive Services	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	2,025	50
10.561	N/A	Food Stamp Employment and Training	MI Dept. of Labor & Economic Growth	10/01/05-09/30/06	93,997	18,310
10.561	N/A	Food Stamp Employment and Training Supportive Services	MI Dept. of Labor & Economic Growth	10/01/05-09/30/06	2,046	44
<b>Subtotal 10.561 (includes subcontracted expenditures of \$14,355)</b>						<b>22,270</b>
<b>Department of Labor</b>						
17.207	N/A	Employment Service	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	387,767	322,907
17.207	N/A	Reemployment Services	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	25,858	25,858
<b>Subtotal 17.207 (includes subcontracted expenditures of \$269,868)</b>						<b>348,765</b>
17.245	N/A	Trade Act	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	192,730	105,126
17.245	N/A	Trade Act	MI Dept. of Labor & Economic Growth	10/01/05-09/30/06	2,680,141	1,465,197
<b>Subtotal 17.245 (includes subcontracted expenditures of \$1,522,353)</b>						<b>1,570,323</b>
17.258	N/A	WIA Adult	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	785,413	667,257
17.258	N/A	WIA Local Administration	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	107,130	47,599
17.258	N/A	WIA Statewide Activities Incumbent Worker	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	17,226	16,985
17.258	N/A	WIA Statewide Activities Capacity Building	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	6,684	6,684
17.258	N/A	WIA Statewide Activities Youth	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	7,249	7,249
17.258	N/A	WIA Statewide Activities Incentive	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	12,788	12,788
17.258	N/A	WIA Statewide Activities Incumbent Worker	MI Dept. of Labor & Economic Growth	07/01/05-09/30/05	10,334	10,334
<b>Subtotal 17.258 (includes subcontracted expenditures of \$631,377)</b>						<b>768,896</b>

# Central Area Michigan Works! Consortium

## Schedule A-2

### Schedule of Expenditures of Federal Awards and Other Financial Assistance

Year Ended June 30, 2006

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)</b>						
<b>Department of Labor (Continued)</b>						
17.259	N/A	WIA Youth	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	988,286	915,102
17.259	N/A	WIA Local Administration	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	156,782	74,757
17.259	N/A	WIA Statewide Activities Incumbent Worker	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	19,050	18,784
17.259	N/A	WIA Statewide Activities Capacity Building	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	7,308	7,308
17.259	N/A	WIA Statewide Activities Youth	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	7,926	7,926
17.259	N/A	WIA Statewide Activities Incentive	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	14,070	14,070
17.259	N/A	WIA Statewide Activities Incumbent Worker	MI Dept. of Labor & Economic Growth	07/01/05-09/30/05	11,299	11,299
<b>Subtotal 17.259 (includes subcontracted expenditures of \$857,598)</b>						<b>1,049,246</b>
17.260	N/A	WIA Dislocated Worker National Reserve - Adult	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	971	971
17.260	N/A	WIA Dislocated Worker	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	1,319,611	1,101,178
17.260	N/A	WIA Local Administration	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	159,214	88,659
17.260	1299	WIA Dislocated Worker - Rapid Response	MI Dept. of Labor & Economic Growth	07/01/05-04/30/06	8,470	2,771
17.260	N/A	WIA Statewide Activities Incumbent Worker	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	28,433	28,035
17.260	N/A	WIA Statewide Activities Capacity Building	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	10,008	10,008
17.260	N/A	WIA Statewide Activities Youth	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	10,853	10,853
17.260	N/A	WIA Statewide Activities Incentive	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	20,236	20,236
17.260	N/A	WIA Statewide Activities Incumbent Worker	MI Dept. of Labor & Economic Growth	07/01/05-09/30/05	15,474	15,474
<b>Subtotal 17.260 (includes subcontracted expenditures of \$998,469)</b>						<b>1,278,185</b>
<b>Subtotal 17.258, 17.259, and 17.260 Cluster</b>						<b>3,096,327</b>
17.UNK	N/A	Reed Act Service Center Operation	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	91,723	44,961
17.UNK	N/A	Reed Act Service Center Operation	MI Dept. of Labor & Economic Growth	07/01/05-06/30/06	85,460	81,318
17.UNK	N/A	Work First Reed Act	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	339,885	( 10,404)
17.UNK	N/A	Work First Reed Act	MI Dept. of Labor & Economic Growth	10/01/05-09/30/06	110,454	110,454
<b>Subtotal 17.UNK (includes subcontracted expenditures of \$47,386)</b>						<b>226,329</b>

# Central Area Michigan Works! Consortium

## Schedule A-3

### Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2006

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)</b>						
<b>Department of Health and Human Services</b>						
93.558	N/A	Temporary Assistance for Needy Families	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	1,186,474	491,125
93.558	N/A	Temporary Assistance for Needy Families	MI Dept. of Labor & Economic Growth	10/01/05-09/30/06	1,468,830	1,136,357
93.558	N/A	Temporary Assistance for Needy Families - Supportive Services	MI Dept. of Labor & Economic Growth	10/01/04-08/31/05	79,000	20,396
93.558	N/A	Temporary Assistance for Needy Families - Supportive Services	MI Dept. of Labor & Economic Growth	10/01/05-08/31/06	114,000	89,104
93.558	N/A	Temporary Assistance for Needy Families - Transportation to Work	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	7,800	1,969
<b>Subtotal 93.558 (includes subcontracted expenditures of \$1,414,920)</b>						<b>1,738,951</b>
<b>Total Federal Programs</b>						<b>7,002,965</b>
<b>STATE PROGRAMS</b>						
	N/A	Work First (GF/GP)	MI Dept. of Labor & Economic Growth	10/01/04-09/30/05	302,548	161,727
	N/A	Work First (GF/GP)	MI Dept. of Labor & Economic Growth	10/01/05-09/30/06	297,704	269,206
<b>Total State Programs</b>						<b>430,933</b>
<b>OTHER EXPENSE</b>						
	N/A	Interest and Other				<b>100</b>
<b>TOTAL</b>						<b>\$ 7,433,998</b>

#### Note to Schedule of Expenditures of Federal Awards and Other Financial Assistance

This schedule includes the federal grant activity of Central Area Michigan Works! Consortium and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# Central Area Michigan Works! Consortium

## Schedule B

### Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Amount Over (Under)	
	Original	Final		Final Budget	
Revenue:					
Federal grants	\$ 5,129,200	\$ 7,323,850	\$ 7,002,965	(\$ 320,885)	
State grants	292,200	459,450	430,932	( 28,518)	
Other revenue	800	1,050	1,056	6	
Total revenue	5,422,200	7,784,350	7,434,953	( 349,397)	
Expenditures:					
Supplies	15,000	146,700	124,113	( 22,587)	
Other services and charges	5,387,200	7,636,750	7,309,885	( 326,865)	
Capital outlay	20,000	0	0	0	
Total expenditures	5,422,200	7,783,450	7,433,998	( 349,452)	
Excess of revenue over expenditures	0	900	955	55	
Fund balance - June 30, 2005	94,315	94,315	94,315	0	
Fund balance - June 30, 2006	\$ 94,315	\$ 95,215	\$ 95,270	\$ 55	



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Central Area Michigan Works! Consortium  
Greenville, Michigan

We have audited the financial statements of the governmental activities and the major fund of Central Area Michigan Works! Consortium as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Central Area Michigan Works! Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Area Michigan Works! Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management, audit committee, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

September 8, 2006  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance**

Board of Directors  
Central Area Michigan Works! Consortium  
Greenville, Michigan

### **Compliance**

We have audited the compliance of Central Area Michigan Works! Consortium with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Central Area Michigan Works! Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Central Area Michigan Works! Consortium's management. Our responsibility is to express an opinion on Central Area Michigan Works! Consortium's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Area Michigan Works! Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Area Michigan Works! Consortium's compliance with those requirements.

In our opinion, Central Area Michigan Works! Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of Central Area Michigan Works! Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central Area Michigan Works! Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, audit committee, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

September 8, 2006  
Madison, Wisconsin

# Central Area Michigan Works! Consortium

## Schedule of Findings and Questioned Costs

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### **A. Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of CAMWC.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of CAMWC were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for CAMWC expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for CAMWC.
7. The programs tested as a major program were the Department of Labor Workforce Investment Act Grant, Cluster CFDA #17.258, #17.259, and #17.260, and Department of Labor Trade Act, CFDA #17.245.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. CAMWC was determined to be a low-risk auditee.

### **B. Findings – Financial Statements Audit**

None

### **C. Findings and Questioned Costs – Major Federal Award Programs Audit**

**Findings:** None

**Questioned Costs:** None



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## SUMMARY SCHEDULE OF AUDIT FINDINGS

As required by OMB Circular A-133, the following is a summary schedule of prior year and current year audit findings for the Central Area Michigan Works! Consortium:

1. Status of Prior Year Findings

There were no audit findings for the year ended June 30, 2005.

2. Status of Current Year Findings

There were no audit findings for the year ended June 30, 2006.

I certify that the above information is accurate to the best of my knowledge.

A handwritten signature in cursive script that reads "Tammy Miller".

Tammy Miller  
Vice President of Finance